

MAY 7 2001

STATE OF ARIZONA

DEPT. OF INSURANCE
BY CS

DEPARTMENT OF INSURANCE

In the Matter of:) Docket No. 01A-119-INS
)
HEALTH PLAN OF NEVADA, INC.,) **CONSENT ORDER**
)
NAIC # 96342,)
)
Respondent.)

Examiners for the Department of Insurance (the "Department") conducted a market conduct examination of Health Plan of Nevada, Inc. (HPN). In the Report of Examination of the Market Conduct Affairs of HPN, the Examiners allege that HPN violated A.R.S. §§ 20-461, 20-462, 20-1057, 20-1072, 20-2310, 20-2533 and A.A.C. R20-6-801.

HPN wishes to resolve this matter without formal proceedings, admits that the following Findings of Fact are true, and consents to the entry of the following Conclusions of Law and Order.

FINDINGS OF FACT

1. HPN is authorized to issue health care plans pursuant to a Certificate of Authority to operate as a health care services organization issued by the Director.

2. The Examiners were authorized by the Director to conduct a market conduct examination of HPN. The on-site examination covered the time period from August 15, 1996 through December 31, 1998, and was concluded on April 13, 1999. Based on their findings the Examiners prepared the "Report of Examination of the Market Conduct Affairs of Health Plan of Nevada, Inc., dated April 13, 1999.

3. The examiners reviewed all forms used in Arizona by the Company to advertise its Medicare Risk and group health programs during the time frame of the

1 examination and found that HPN circulated eight Medicare Risk advertising forms that
2 had not been filed with nor approved by the Director.

3 4. The Examiners reviewed 108 of 108 individual underwriting files of
4 employees that enrolled in a group health benefit plan during the time frame of the
5 examination and found that HPN failed on two files to reduce the period of applicable
6 preexisting condition exclusion by the aggregate period of prior creditable coverage.

7 5. The Examiners reviewed 5 of 5 group health plans issued during the time
8 frame of the examination and found that HPN failed to provide evidence of coverage to
9 46 employees.

10 6. The Examiners reviewed the Company's compliance with Arizona appeals
11 and grievance procedures during the time frame of the examination and found that
12 HPN failed to file an appeal information packet with the Director prior to July 1, 1998.

13 7. The Examiners reviewed 101 of 1,221 Medicare Risk claims, by contracted
14 providers with a 45-day payment clause, for services rendered during the time frame of
15 the examination and found that HPN failed to notify nine first party claimants of
16 acceptance or denial of their claim within the 45-day period stipulated in the contract.

17 8. The Examiners reviewed 100 of 12,467 Medicare Risk non-contracted
18 claims paid, 50 of 57 non-contracted group medical claims paid, and 5 of 5 non-
19 contracted group medical claims (PPO option) paid by the Company during the time
20 frame of the examination and found that:

21 a. HPN failed to notify 20 first party claimants of acceptance or denial
22 of their claim within the 15 working days after receipt of properly executed proof of
23 loss.

24 b. HPN failed to pay interest on four claims not paid within 30 days
25 after receipt of an acceptable proof of loss.

1 c. HPN executed two contracts with providers that failed to provide
2 that the enrollee is not liable to the provider for covered services not paid for by the
3 health care services organization.

4 **CONCLUSIONS OF LAW**

5 1. By failing to file all advertising prior to use, HPN violated A.R.S. § 20-
6 1057(D).

7 2. By failing to accept or deny claims within 15 working days after receipt of
8 properly executed proof of loss, HPN violated A.R.S. § 20-461(A)(5) and A.A.C. R20-6-
9 801(G)(1)(a).

10 3. By failing to accept or deny claims within the time frame stipulated in the
11 contract, HPN violated A.R.S. § 20-461(A)(5) and A.A.C. R20-6-801(G)(1)(a).

12 4. By failing to pay interest on claims not paid within 30 days after receipt of
13 acceptable proof of loss, HPN violated A.R.S. § 20-462(A).

14 5. By failing to provide evidence of coverage to employees covered under
15 group health benefit plans, HPN violated A.R.S. § 20-1057(A).

16 6. By circulating advertising forms that had not been filed with nor approved
17 by the Director, HPN violated A.R.S. § 20-1057(D).

18 7. By executing contracts with providers that failed to provide that enrollees
19 are not liable to providers for covered services not paid for by the health care services
20 organization, HPN violated A.R.S. § 20-1072(A).

21 8. By failing to reduce the period of applicable preexisting condition
22 exclusion by the aggregate period of prior creditable coverage, HPN violated A.R.S. §
23 20-2310(B).

24 9. By failing to file an appeals information packet with the Department for
25 approval by the Director prior to July 1, 1998, HPN violated A.R.S. § 20-2533(C)

10. Grounds exist for the entry of the following Order, in accordance with A.R.S. §§ 20-456 and 20-1065.

ORDER

IT IS ORDERED THAT:

1. Health Plan of Nevada, Inc. shall:

a. Circulate Medicare Risk advertising forms that have been filed with the Director.

b. Provide plan disclosure forms to employers prior to policy issuance or renewal.

c. Reduce the period of applicable preexisting condition exclusion by the aggregate period of prior creditable coverage.

d. Provide evidence of coverage to employees covered under group health benefit plans.

e. Provide appeal information packets to members covered under health benefits plans.

f. Accept or deny first party claims within 15 working days after receipt of proof of loss.

g. Accept or deny first party claims within the time frame stipulated in provider contracts.

h. Pay interest on claims not paid within 30 days after receipt of acceptable proof of loss.

- i. Not execute contracts with providers that fail to provide that the enrollee is not liable to the provider for covered services not paid for by the health care services organization.

1 2. Within 90 days of the filed date of this Order, HPN shall submit to the
2 Arizona Department of Insurance, for approval, evidence that corrections have been
3 implemented and communicated to the appropriate personnel, regarding the issues
4 outlined in Item 1 of the Order section of this Consent Order. Evidence of corrective
5 action and communication thereof includes, but is not limited to, memos, bulletins, E-
6 mails, correspondence, procedures manuals, print screens, and training materials.

7 3. Within 90 days of the filed date of this Order, HPN shall document to the
8 Department that it has paid interest on the claims listed in Exhibit A of this order.
9 Interest shall be calculated at the rate of ten percent per annum, from the date each
10 claim was received by the Company, to the date of payment.

11 4. Each payment made in accordance with Item 3 above shall be
12 accompanied by a letter to the insured in a form previously approved by the Director.
13 A list of payments, giving the name and address of each party paid, the amount of the
14 payment, the amount of interest paid, and the date of payment, shall be provided to
15 the Department within 90 days of the filed date of this Order.

16 5. The Department shall be permitted, through authorized representatives,
17 to verify that HPN has complied with all provisions of this Order.

18 6. HPN shall pay a civil penalty of \$7,000.00 to the Director for deposit in
19 the State General Fund in accordance with A.R.S. § 20-1065(E). This civil penalty
20 shall be provided to the Market Conduct Examinations Division of the Department prior
21 to the filing of this Order.

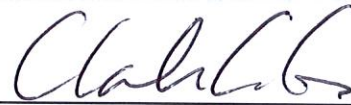
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1 7. The Report of Examination of the Market Conduct Affairs of HPN dated April
2 13, 1999, including the letter submitted in response to the Report of Examination, shall
3 be filed with the Department after the Director has filed this Order.

4 DATED at Phoenix, Arizona this 4th day of May, 2001.

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7 Charles R. Cohen
8 Director of Insurance
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**FAILURE TO PAY INTEREST ON CLAIMS THAT WERE NOT PAID WITHIN 30
DAYS AFTER RECEIPT OF ACCEPTABLE PROOF OF LOSS**

A.R.S. § 20-462(A)

Claim Number

9828201260

9835732390

9834979470

9813841660

Total 4

CONSENT TO ORDER

1. Health Plan of Nevada, Inc. has reviewed the foregoing Consent Order.

2. Health Plan of Nevada, Inc. admits the jurisdiction of the Director of Insurance, State of Arizona, admits the foregoing Findings of Fact, and consents to the entry of the Conclusions of Law and Order.

3. Health Plan of Nevada, Inc. is aware of its right to a hearing, at which it may be represented by counsel, present evidence, and cross-examine witnesses. Health Plan of Nevada, Inc. irrevocably waives its right to such notice and hearing and to any court appeals related to this Order.

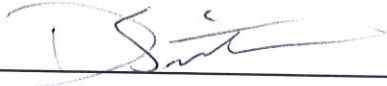
4. Health Plan of Nevada, Inc. states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

5. Health Plan of Nevada, Inc. acknowledges that the acceptance of this Order by the Director of Insurance, State of Arizona, is solely to settle this matter against it and does not preclude any other agency or officer of this state or its subdivisions or any other person from any other civil or criminal proceedings, whether civil, criminal, or administrative, as may be appropriate now or in the future.

6. Darren Sivertsen, who holds the office of Vice President and COO of Health Plan of Nevada, Inc., is authorized to enter into this Order for it and on its behalf.

HEALTH PLAN OF NEVADA, INC.

4/25/01
Date

By: 

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1 COPY of the foregoing mailed/delivered
2 This 7th day of May 2001, to:

3 Sara Begley
4 Deputy Director
5 Mary Butterfield
6 Assistant Director
7 Consumer Affairs Division
8 Paul J. Hogan
9 Chief Market Conduct Examiner
10 Deloris E. Williamson
11 Assistant Director
12 Rates & Regulations Division
13 Steve Ferguson
14 Assistant Director
15 Financial Affairs Division
16 Nancy Howse
17 Chief Financial Examiner
18 Alexandra Shafer
19 Assistant Director
20 Life & Health Division
21 Terry L Cooper
22 Fraud Unit Chief
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16 2910 North 44th Street, Suite 210
17 Phoenix, AZ 85018

18 HEALTH PLAN OF NEVADA, INC.
19 C/O Christi Brown, Esq
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